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David L. Parker

PATENT

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

In re Application of:
Leon, et al.

Serial No.: 09/550,752

Filed: March 24, 2004

For: SYSTEM AND METHOD OF INVESTMENT MANAGEMENT INCLUDING MEANS TO ADJUST DEPOSIT AND LOAN DOCUMENTS FOR INFLATION

Group Art Unit: 3624

Examiner: Hamilton, Lalita M.

Atty. Dkt. No.: TTHC:003US

REPLY BRIEF

MS AF
Commissioner for Patents
P.O. Box 1450
Alexandria, VA 22313-1450

Sir:

Appellants hereby submit an original and two copies of this Reply Brief to the Board of Patent Appeals and Interferences in response to the Examiner's Answer mailed July 27, 2004 (the "Answer"), making the present Reply Brief due on September 27, 2004. It is believed that no fee is due in connection with the filing of this Reply Brief. Appellants have enclosed herewith a request for oral hearing and the required fee for that request

In the present Reply Brief, rather than reiterating arguments set forth in the underlying appeal brief, Appellants will instead simply address the comments made by the Examiner, roughly in the order they are set forth in the Answer.

The Answer first argues that Youden is interpreted as "broadly reading onto [sic] the invention substantially as claimed" in that it is said to be "inherent" that the financial device of Youden "***may*** be used to adjust for either past or future inflation" and that the Youden instrument has "the ***capability*** of performing these functions" (both emphasis ours). The Answer indicates that appropriate limitations were not incorporated into the method claim. (It is not clear what limitation is being referred to, but this is not relevant for the reasons discussed below.)

We would first point out that the mere fact that the Youden device "may" be used to adjust an account for past inflation, or has the "capability" to perform this function is irrelevant to the patentability issues here. The impliedly admitted fact is that nowhere does Youden teach to actually adjust an account for past inflation, it merely has the capability to do so. This is not enough to raise a *prima facie* case of obviousness. The Board is referred to the specific language of the three independent claims, claims 34, 38 and 42, wherein each specifically requires that the component ***is*** adjusted for past inflation:

> 34. … the principal component ***being*** periodically adjusted for inflation based on the Consumer Price Index (CPI) to obtain an inflation-adjusted principal component …
>
> 38. … said variable interest component ***being*** adjusted for inflation based on the Consumer Price Index (CPI) …
>
> 42. … said variable interest component ***being*** adjusted for inflation based on the Consumer Price Index (CPI) …

(emphasis ours). Thus, each of the independent claims require that the specified component actually be adjusted for past inflation, not just that it simply have this capability.

The Answer next, at the bottom of page 4, states that its position is based in part on its allegation that "nowhere in claim 34 does the Appellant claim 'setting up an account that is paid according to past, unknown [sic, "known"] inflation.'"

Again, Appellants strenuously disagree. Claim 34, and each of the other independent claims, certainly does include such a limitation. For example, turning to claim 34, it is seen that the principal component is periodically adjusted for CPI, a well-known indicator of past inflation. (See Aztec Properties, for example.) The claim then requires that periodic interest payments "***are*** paid based on the inflation-adjusted principal component." (emphasis ours). The same or similar elements can be found in each of the other independent claims. Thus, the financial instrument described by these claims, contrary to the Answer's representation, does define an account that is paid according to past, known inflation.

Rather, the Youden instrument can be seen as a device that could be used to achieve the goals of the present invention, but it simply does not teach or suggest the present invention. One might posit whether the Youden device would infringe the present claims, based on the old adage that what infringes if later, anticipates if earlier. The answer is a resounding "no," since there is no teaching in Youden or any of the secondary references, to use such a device for the purpose of "adjusting an account for past inflation."

We can only surmise that the Answer's position rests on the incorrect belief that the specific limitations in the claims must be disregarded since the claims are not method claims. Appellants disagree and submit that the plain language of the claims must be given weight.

Next, the Answer attempts to address the Appellants' argument that the prior art of record does not teach or suggest a "debt instrument" (claim 36) comprising a "bond, certificate of deposit or annuity account" (claim 37), by referring us to col. 1, lines 25-30 and 45-50, where it is said that Youden "clearly discloses financial instruments that may include a debt instrument."

Again, we disagree. First of all, it should be clarified that the issue is whether the reference discloses a debt instrument, such as a certificate of deposit, that is adjusted for past inflation. The Youden reference very clearly does not disclose such a debt instrument, and particularly not in the excerpts referred to by the Answer. The excerpt at col. 1, lines 25-30, refer simply to the fact that prior art calculators do not have the ability to calculate minimal principal amounts that can be deposited in such accounts. Such a statement refers to the prior art and says nothing about the device of Youden, and is even further removed from the invention of claims 36-37, which is concerned with a debt instrument that is adjusted for past inflation. Similarly, the relevancy of the excerpt at col. 1, lines 45-50, is a mystery, as this passage refers to a passbook account, not a debt instrument. And in any event, this passage also says nothing about adjusting such an account for past inflation.

The Action next addresses the Appellants' position that there is no motivation to combine Youden with Robbins. The Examiner incorrectly characterizes Youden as simply "silent" on the issue of variable interest rates and implies that this was Appellants' position vis-à-vis Robbins combinability or lack thereof with Youden. This is incorrect. Appellants argument was that Youden makes an arbitrary allowance for inflation to arrive at the size of the initial deposit that will provide future fixed payments and is in no way related to the actual inflation that takes place in the future. Thus, the concept of variable interest rates is totally irrelevant to the teachings of Youden, because once the initial calculation is done to arrive at the size of the initial deposit, no

further opportunity is afforded to account for variations in the initial interest rate. Consequently, there is no suggestion or motivation, either in the references themselves or in the knowledge generally available to one of skill in the art, to modify the teachings of Youden to incorporate variable interest rates, as doing so would require modifications to the very core of Youden's teachings such that the principle of operation of Youden would be modified. "If the proposed modification or combination of the prior art would change the principle of operation of the prior art invention being modified, then the teachings of the references are not sufficient to render the claims *prima facie* obvious." M.P.E.P. § 2143.01 (citing *In re Ratti*, 270 F.2d 810 (CCPA 1959)).

The Answer fails to address the foregoing argument in any way, and in fact seems to disregard it. Indeed, the Answer continues to embrace the erroneous position that support for combining Youden with Robbins is found simply in the fact that it could be within the "capabilities" of one of ordinary skill in the art to make such a combination of the two references. The fact that it is "within the capability" to combine is not enough to demonstrate a *prima facie* combinability. Moreover, the Answer fails to in any way address Appellants' argument that the courts have held that that type of support in an obviousness rejection is insufficient, as a matter of law: "The mere fact that references can be combined or modified does not render the resultant combination obvious unless the prior art also suggests the desirability of the combination." M.P.E.P. § 2143.01 (citing *In re Mills*, 916 F.2d 680 (Fed. Cir. 1990)). The Action's combination of these references, absent any evidence of a suggestion or motivation to actually combine them, amounts to an impermissible, hindsight analysis. *See Loctite Corp. v. Ultraseal Ltd.*, 781 F.2d 861, 873 (Fed. Cir. 1985) (noting that it is improper for

an Examiner to employ impermissible hindsight in reconstructing the elements necessary to achieve the invention piecemeal from the prior art).

The remaining arguments raised in the Answer are duplicative of the foregoing.

In light of the foregoing and in light of the arguments presented in the Brief on Appeal, the Board is requested to overturn the Examiner's continued assertions of unpatentability.

Please date stamp and return the enclosed postcard to evidence receipt of this document.

Respectfully submitted,

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